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SUBJECT: ITALY-RUSSIA COMMERCIAL TIES DEEPEN ON MARGINS OF
PRODI-PUTIN MEETINGS

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[1](#)B. 06 ROME 2257

[1](#)1. (U) Summary. Russian and Italian companies signed a number of agreements on the margins of the March 14 bilateral meeting between PM Prodi and Russian President Putin. The agreements, concentrated in the areas of energy and transportation, provide "proof of the strategic partnership between Italy and Russia," according to PM Prodi. End summary.

Energy

[1](#)2. (U) For energy-watchers, the anticipated highlight of the Bari summit was to be the signing of an document by the CEOs of Eni, the Italian oil and gas parastatal, and Gazprom, detailing the agreement reached last year in which Gazprom acquired the right to sell up to three bcm/year of natural gas directly to Italian consumers. In exchange for giving Gazprom direct access to the Italian market, Eni was to acquire exploration and development rights to Russian natural gas fields, from which Italy currently imports 30 percent of its natural gas. We understand that negotiations regarding Eni's access to Russian natural gas fields are ongoing at the technical level, and quote Eni CEO Paolo Scaroni as saying that he did not attend the Bari meetings because "there wasn't an agreement to sign."

[1](#)3. (U) Italy's electricity parastatal, ENEL, signed a memorandum of understanding with Russia's Atomic Energy Agency to assist in the development of nuclear power projects in Russia. (Note. A 1987 referendum banned nuclear power generation in Italy. Since 1987, ENEL has entered into several agreements to develop nuclear power facilities in other countries. Energy experts have told us that Italy will have to allow nuclear generation to increase its energy self-sufficiency, and that these agreements are ENEL's way of maintaining expertise in nuclear energy. End Note.)

[1](#)4. (U) In the area of renewable energy, Foggia University signed an agreement with Renova, a Russian energy company, to cooperate in the research and development of alternative energy sources.

Transportation

[1](#)5. (U) Finmeccanica subsidiaries signed two agreements in the transportation sector. The first agreement, between Finmeccanica's Alenia subsidiary and Sukhoi, commits Alenia to invest 250 million euro in a joint venture with Sukhoi to develop and produce the "Superjet 100," a regional jet capable of carrying up to 100 passengers. Sukhoi officials anticipate as many as 1,000 of the airplanes will be built over the 20-year life of the project. PM Prodi singled out

the Alenia-Sukhoi deal in a press conference and said, "it is the last opportunity for Italy and Russia to become leading players in the civil aircraft market."

¶6. (U) Finmeccanica and Ferrovia Dello Stato (the Italian national rail operator) signed an agreement with the Russian railways monopoly to modernize the Russian train system to include satellite technology, improve the security of the rail system, build high-speed rail links along the Black Sea coast and between Moscow and St. Petersburg, and provide training. (Note. We understand the reference to satellite technology to mean the use of GPS or a similar technology to track trains and operate track switches. End note.)

Banking

¶7. (U) Russia's Vnesheconombank and Italy's Mediobank signed a 122 million euro credit agreement for the construction of a logistics terminal near Moscow. Mediobank also signed a 200 million euro credit agreement with the Vneshtorgbank foreign trade bank to facilitate trade between Russia and Italy. Finally, Banca Intesa Sanpaolo reached a 100 million euro credit agreement with Vneshtorgbank to finance Italian exports of household and durable goods to Russia.

Comment

¶8. (U) Many of these agreements, including those involving Alenia and Eni, are between companies in which the Italian and Russian government have a controlling interest; and the accords have been in discussion for some time. Over the past year, Italy has been making a concerted effort to expand its access to Russian energy sources. GOI and energy industry

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officials have told us privately and publicly that Italy's short-term energy security can only be guaranteed by ready access to Russian natural gas supplies. The Eni-Gazprom deal, still being negotiated, reflects this understanding of Italy's energy position. We see ENEL's agreement with the Russian Atomic Energy Agency as a means through which to maintain Italian expertise in nuclear power. Energy analysts have told us that in the long run, Italy, which does not have significant oil or gas reserves, cannot remain entirely dependent on imported oil and gas, and will have to return to nuclear power. ENEL's investment in Russia is consistent with their analysis. End comment.
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